

# Vermont State Teachers' Retirement System

Volume 6, Issue 1

July 2006

## DIRECTOR'S CORNER

### Pension Software Project Update

We're happy to report the Retirement Office electronic imaging project, which started in July, was completed on schedule and under budget.

The Retirement Office previously maintained a paper file for each and every active and retired member, estimated at approximately 1.8 million pieces of paper. Electronic imaging of all paper files allows member records to be viewed on computer screens. This not only saves a significant amount of time, but is also much more secure in the event of a fire or other type of disaster. One of the other rewarding results of this project was not having to move more than 60 file cabinets to our new location at 109 State Street.

The Line of Business RFP was released in July, and a bidders' conference was held in August. Five responses were received in September, product demonstrations were provided in October, and just after the move to our new location, second demos from

*Continued on back page*



## Legislative Update

The 2006 session was a very busy one for the Retirement Office. There were a number of bills that were retirement-related, and many hours were spent at the State House explaining the cost or impact of a specific bill or legislative initiative. The end result was well worth the effort. The following bills effective July 1, 2006, (unless otherwise noted) were passed that affect members or retirees of the State Teachers' Retirement System of Vermont:

**S.111 – Restoration of prior service...** This bill will allow members who had a prior membership that has been withdrawn to restore the service credit from the prior membership by re-depositing their own contributions with interest back into the system, along with an amount that would equal

what the employer would have contributed with interest from date of withdrawal to date of restoration. The interest rate that will be charged on the previous employee and employer contributions is equal to the assumed interest rate adopted for the Teachers' Retirement System, currently 8%.

**H.238 – Minimum pension increase for Group A retirees and expansion of Vietnam period for military credit...** The minimum pension for Group A retirees with 30 or more years of service will increase to \$9,000 effective **September 1, 2006**. *This means that if you retired from the Group A plan, and your average final compensation was less than \$13,200 at the time of retirement, you will receive an increase in your September pension payment.*

Group A retirees who retired

with less than 30 years of service will receive a pro-rated increase. The bill includes an automatic \$1,000 increase in the minimum pension every five years. It is important to note that reductions due to survivorship options or early retirement penalties will be applied after the new minimum pensions are calculated.

The Retirement Division will be busy recalculating the minimum pensions for affected retirees over the next few months. We will send out a letter to all affected retirees quoting the amount of the increase during the month of September. Please do not call our office to request what your actual increase will be as inquiries may affect our ability to complete the calculations by the September deadline.

*(continued on page 2)*

## Your Retirement Division....

The Retirement Division of the State Treasurer's Office is currently comprised of 13 staff members. The primary function of the staff is to serve the needs of the active contributing members and retired members receiving benefit payments. The staff of the Retirement Division conducted 1,216 individual counseling sessions and processed a total of 716 retirements for members of the three systems during the 2005 calendar year: 365 Teacher retirees, 255 State retirees, and 96 retirees in the Municipal system. Staff also calculated over 7,000 retirement estimates at the request of prospective retirees, a fifty percent increase over 2004. A variety of staff conducted 75 informational sessions across Vermont for members of the three systems in 2005, with approximately 1,775 individuals in attendance. (See the chart on insert page 2.)

We are always looking for ways to better serve our customers. If you have suggestions, please call our offices at 802-828-2305, locally or out-of-state; 1-800-642-3191, toll-free within VT; or e-mail us at [treasurers\\_office@state.vt.us](mailto:treasurers_office@state.vt.us).

## Wondering What To Do With A Recent Salary Increase?

Reward yourself by putting it into a deferred compensation savings plan! If you aren't already a member of a §403b, §457, or other qualified plan, there's no better time than **now** to sign up for the easiest way ever to save for your future. Contact your payroll officer or financial planner to discuss the best options.

If you're already one of the many members in a plan, simply increase your deferral.

Changing or beginning contributions couldn't be easier, and the benefits are remarkable.

Remember, the money you won't miss now could be the money you need later!

Visit us on the Web at  
[www.vermonttreasurer.gov](http://www.vermonttreasurer.gov)

## We Moved...

In October 2005, after many months of anticipation, the movers came, packed, and moved the Treasurer's Office from the 2<sup>nd</sup> floor at 133 State Street, where it has been for the past 60 years, across the Capitol lawn to the 4<sup>th</sup> floor of the Pavilion Building at **109 State Street**. Other than changing the physical location and address of the office, nothing else has changed. Our Web address, phone numbers, and the faces all remain the same! Please feel free to drop by for a visit, anytime.

## Estate Planning—Get The Facts

Since you've worked hard for your money, and made decisions to save wisely, it's natural for you to want some control over the destination of your assets at the time of your death. There are measures you can take now to avoid potential hassles for your loved ones in the future, but the first step is to gain all the facts involved in planning your estate.

**What Does Estate Planning Include?** Estate planning can include the following

- Locating and reviewing your current documents (Will, life insurance policies, beneficiary designations, etc.).
- Taking inventory of everything you own (life insurance, real estate, employee benefits, etc.).
- Developing your own personal estate planning goals.
- Determining how you intend to dispose of everything.
- Estimating tax consequences of implementing your goals and considering alternate ways to achieve those goals.
- Preparing and executing the documents to implement your plan, such as a Will, beneficiary designations or changes, Power of Attorney, Living Wills, etc.
- Reviewing your plan and changing the documents if necessary (usually every five years, or when significant events occur, such as birth, death, marriage, divorce, etc.).

**Before making any decisions** regarding your estate planning strategy, it may be appropriate to talk to an experienced estate attorney or financial advisor, or visit other estate planning resources including the Federal Information Center at [www.pueblo.gsa.gov](http://www.pueblo.gsa.gov).

**Extra Weight Promotes Cancer?** We're being told that obesity increases the risk of many diseases and even forms of cancer, but most of us need to know how, and why, extra weight causes cancer. Often knowing the why of something helps us to better see the connection and take action.

As published in the *New England Journal of Medicine*, researchers followed 900,000 people for 16 years, all of whom were cancer-free when the study began. The heaviest members had death rates that were 52% higher for men and 62% higher for women than those people of normal weight. That means that excess weight and obesity may account for 14% of **all** cancer deaths in the U.S. for men and 20% for women. Learn what you can about this critical issue from your doctors, or healthcare professional, and watch your weight. We care about your good health.

## Legislative Update (continued from page 1)

The period of Vietnam service recognized for either a grant of service or a stipend will be expanded to include the dates between February 28, 1961, through August 4, 1964, if service was performed in what is now the Republic of Vietnam. If you served during this period prior to becoming a member of the Teachers' Retirement System, please read the article entitled "*Expanded Vietnam Military Service*" located on page 2 of the insert to this newsletter.

**H.547 – New medical insurance option for future retirees...** Members retiring on or after **January 1, 2007**, will have a new option to consider when completing their retirement paperwork. Under the current law, a retiree may elect medical coverage under three different plans, and the system will pay an amount equal to 80% of the \$250 Comp premium toward the total premium for the retiree's coverage. After January 1<sup>st</sup>, if a member elects a survivorship option to protect the retirement income for a dependent beneficiary, (s)he may also elect to receive a reduced percentage of the medical premium to allow that same percentage to continue to their dependent beneficiary for the remainder of his/her lifetime. We expect this will be a very attractive option for those who wish to reduce the financial burden of medical coverage for their surviving dependents.

## STRAIGHT FROM THE BOOK - *Eligibility for Group C Retirement*

### Normal Retirement

You are eligible to receive a normal retirement benefit when you reach age 62 or have 30 years of service at any age, whichever comes first.

### Early Retirement

You are eligible for an early retirement benefit once you have completed five years of service and have attained age 55. A 6% per year early retirement reduction will be imposed for each year under the age of 62. If you terminate service before age 55 you are not eligible for early retirement benefits, although you may be eligible for vested benefits.

### Disability Retirement

If you become disabled, you are eligible to apply for disability retirement if your application is filed **not later than 90 days after the date you separated from service**, and you have five or more years of creditable service, and served as a teacher in the state during the five years immediately preceding the date of separation from service. Your application is subject to review and certification by the Medical Review Board (MRB) and approval by the Board of Trustees that you are disabled on the basis of medical evidence.

An annual review of the status of your disability may occur. Your eligibility ceases at the end of the month in which you recover and/or are determined no longer disabled. Termination of a disability pension does not affect your right to apply for a transfer to a normal or early pension benefit, if qualified.

**If you have questions or require more information, please contact the Retirement Office at any time, Monday-Friday 7:45 a.m. to 4:30 p.m.**

### **Retiring within the next 5 years? Here are some helpful tips.....**

The Annual Benefit Statement you receive each fall is an excellent resource for long-term retirement planning. As you get closer to your expected retirement date, however, you should begin to look more closely at all of your income sources as well as your expected obligations after retirement so that you will have a more accurate picture of your long-term financial status.

*5 years from retirement* – Take a close look at your debt ratio. Take steps to pay off as much of your outstanding debt as possible, especially items such as credit card balances and personal loans. Replace high-ticket items such as kitchen appliances, washer and dryer, lawn tractor, etc. in order to avoid costly unexpected expenses after retirement. Pay off your mortgage if you have not already done so.

*2 to 3 years from retirement* – Obtain estimates from the Retirement Division and the Social Security Administration for your projected monthly benefit under all options based on your anticipated retirement date. Anticipate what you will have from other sources, such as a deferred income plan [457, 403(b) or 401(a) or 401(k)], income from real estate, a business, inheritance, etc. Work with a financial planner or utilize a financial planning program

#### **Important Facts About Your Retirement Plan**

- ▶ Retirement is effective the first of the month following separation of service or receipt of the completed application, whichever is later.
- ▶ Benefits are paid the last working day of the month for that month.
- ▶ There are several different retirement options to choose from. You must elect an option prior to commencement of retirement benefits, and your option cannot be changed after retirement.
- ▶ The majority of your pension will be considered taxable income.
- ▶ **BENEFITS ARE NOT AUTOMATIC. YOU MUST APPLY FOR THEM.**

to determine what your monthly income will be compared to your monthly obligations. Take steps to bring them into alignment if necessary. Keep in mind this may mean that you will have to defer your anticipated retirement date for another year or more to ensure you will have sufficient income to meet your needs in retirement.

*1 year from retirement* – You have done your homework and can now relax and enjoy your final year of employment, knowing that you can look forward to a secure and enjoyable retirement. Request an updated estimate from the Retirement Division and the Social Security Administration for your anticipated retirement date under all options. Once you receive your estimates, we strongly recommend that you make an appointment with one of the retirement specialists in the Retirement Division by calling 1-800-642-3191. The specialist will go over all of your options in detail and assist you to complete the necessary paperwork to file for retirement benefits.

#### **Retirement Board of Trustees**

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## Attention Single Deposit Investment Account Members:

As reported in the July issue of the *Retiring Times*, on November 1, 2005, the SDIA Third Party Administration for this plan was awarded to Great West Retirement Services, the same experienced and capable group of professionals that handle the State's §457 Deferred Compensation Plan.

If you have need assistance with your SDIA account, or have questions, please contact Great-West at its local number 802-229-2391 or call toll-free at 1-800-457-1028.

## What is Social Security Part D? What should I Do?

**No action is required by you** if you are currently covered by one of the State Teachers' retirees Carve-Out health plan. Your drug coverage under the Teachers' plan remains in effect. You should continue using the plan as you always have.

When you are covered by a prescription drug plan, there is **no financial penalty for a later enrollment** in the Medicare Part D drug plan, if needed. This is **different from Medicare Part B**, where there is a late enrollment penalty.

## Director's Corner *(Continued from page 1)*

two selected vendors were seen in early November. The vendor evaluation process concluded in December with the selection of Levi, Ray, and Shoup, Inc. (LRS), and thankfully, delays or complications did not hamper our March 29, 2006, project kickoff date. Challenging work on this project lies ahead, but we are excited about the possibilities and will keep you informed with future updates.

**Annual Benefits Statements...** If you are actively employed on June 30<sup>th</sup>, you will receive an Annual Benefit Statement in the fall, typically during the month of October. Your Annual Benefit Statement provides you with important information regarding the status of your retirement account, and your projected benefits under a normal retirement, early retirement or a disability retirement. It also provides you with valuable information regarding how your family is protected if your death should occur while still actively employed. Take a few minutes to review your statement to ensure the information that is reflected in the statement is accurate. Make sure the following information is accurate according to your records: your salary and accrued service for the past fiscal year, your account balance and total accrued service at the end of the fiscal year, and your primary beneficiary designation. If your beneficiary designation is listed as "ESTATE," it means that you have not designated a beneficiary. Contact the Retirement Division at 1-800-642-3191 if there are inaccuracies, or you have questions regarding the information contained in your statement.

### \*\*\*\* NEW ADDRESS \*\*\*\*

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# Funding for State Teachers' Retirement System Is Back on Track

## State Treasurer Jeb Spaulding

One of the Legislature's more significant, if unheralded, accomplishments this session was adopting all of the major recommendations of the Commission on Funding the Vermont State Teachers' Retirement System (VSTRS). Those recommendations, now law, will help get funding for the Teachers' Retirement System back on track after years of underfunding that threatened the integrity of the system.

In recent years, chronic underfunding by the State, more conservative actuarial assumptions, and demographic trends have added considerably to the VSTRS underfunded status, while greatly increasing the actuarially required annual contribution from the State. The heart of the Commission recommendations is intended to close the gap between the annual actuarial recommendation and the actual funding appropriated by the State, and to increase accountability in the process in order to keep the gap closed.

The following Commission recommendations were adopted by the Legislature as part of the appropriations bill (H.881):

Adopt the Entry Age Normal (EAN) actuarial methodology, because doing so provides a more accurate picture of the plan's funded status and is consistent with most public retirement plans.

Re-amortize the unfunded actuarial liability (UAL) over 30 years because, while this will increase plan costs over that period, it will reduce the State's required annual contribution substantially and allow the State to follow a realistic budget plan.

Create separate appropriations for normal and UAL costs, because doing so will make plan costs associated with underfunding distinct from costs associated with paying benefits.

Fully fund both normal and UAL costs beginning in FY 2007, because doing so is necessary both to justify implementing other recommendations and to preserve the fiscal integrity of the VSTRS. The Legislature increased funding over FY 2006 by over 50% to achieve the level recommended by the actuary and Commission. In addition, they stated in law their intent to appropriate the actuarially required contributions necessary to fund an adequate, sustainable, and actuarially sound retirement benefit plan for Vermont teachers by combining annual increases in base spending and surplus revenues as they may be available, so that the full actuarial recommendation will be funded in base appropriations by fiscal year 2010.

The final major Commission recommendation will likely be implemented by the Board of the Vermont State Teachers' Retirement Fund:

Increase the assumed rate of investment return by .25% because doing so reflects the beneficial effects of Vermont's new unified pension fund investment process. The VSTRS Board voted last fall to increase the return if the Legislature did its part by passing the above-referenced provisions and providing the necessary funding in FY 2007.

I thank all the members of the Commission for their help finding a path to restoring the financial integrity of the Vermont State Teachers' Retirement System. In addition, I suggest all of those with a stake in this issue might want to thank some of the key legislators who made this happen, such as Representatives Martha Heath, Dick Marron, Gaye Symington, Donna Sweaney, Ken Atkins, Kevin Endres, and Ann Mook, and Senators Jim Condos, Diane Snelling, Susan Bartlett, Hinda Miller, and Peter Welch.

***State Treasurer to Conduct Study...*** Language was included in H.881, the Appropriations Bill, this year that authorizes the State Treasurer to utilize up to \$100,000 in pension trust funds in order to contract with an independent expert to review, evaluate, and make recommendations on pension and retiree health plan provisions and design, as well as benefit and contribution levels, for Vermont state employees and teachers. The review is intended to support an adequate, sustainable, and actuarially sound pension and retiree health plan, consistent with governmental accounting standards as well as demographic and workforce trends. A report of the findings and recommendations shall be forwarded to the governor and general assembly by December 15, 2006.

## ***Your Retirement Division (from page 1)***

<b>Retirement Division Performance Indicators</b>			
<b>Activity</b>	<b>Calendar Year 2005</b>	<b>Calendar Year 2004</b>	<b>Percent Change</b>
<b>Estimates</b>	<b>7,031</b>	<b>4,700</b>	<b>50 %</b>
<b>Individual Counseling Sessions</b>	<b>1,216</b>	<b>1,070</b>	<b>14 %</b>
<b>Retirements</b>	<b>716</b>	<b>655</b>	<b>9 %</b>
<b>Withdrawals</b>	<b>2,816</b>	<b>3,072</b>	<b>-8 %</b>
<b>Deaths</b>	<b>279</b>	<b>265</b>	<b>5 %</b>
<b>Seminars</b>	<b>75</b>	<b>71</b>	<b>6 %</b>
<b>Seminar Attendance</b>	<b>1,775</b>	<b>1,830</b>	<b>-3 %</b>

## ***Bi-Annual Newsletters***

In the future, newsletters will be distributed to active and retired members twice a year, in July and December. We welcome your comments and/or requests if you have a specific topic or question you would like addressed in an upcoming newsletter. In addition, we will send special announcements or flyers to targeted active or retiree groups as necessary. Please watch your mail for future notifications from our office to ensure you do not miss important and often time-sensitive information.

## ***How is service credit calculated?***

The Board of Trustees has established that 175 days of full-time teaching service is equivalent to 100% FTE, or a full year of service. Teachers who work less than 175 days during the fiscal year, or work less than a full day, will receive a pro-rated amount of service credit. For example, if a teacher works 140 full-time days during a fiscal year, the teacher will receive .80 of a year of service credit (140 divided by 175). All service credit earned as a teacher will be counted toward retirement; there is no minimum threshold that must be met to qualify to belong to or earn credit in the Teachers' Retirement System.

## ***Expanded Vietnam Military Service***

***If you served in the Republic of Vietnam during the period February 28, 1961 through August 4, 1964, you may be eligible to receive a grant of up to three years of creditable service OR receive a one-time stipend of up to \$1,500.***

Legislation effective July 1, 2006, expands the period of service for retirement credit to the above-referenced dates for those who actually served in what is now the Republic of Vietnam. In order to qualify for a grant, you must be a member with a minimum of 15 years of creditable service in your Teachers' Retirement account, and have served a minimum of one year of full-time service prior to becoming a member. If you meet the eligibility criteria, you may apply for a grant of up to three years, providing you have not already received the maximum grant of three years for military service during the Vietnam Conflict period. In addition, you must not have any other type of benefit available to you from this pre-Vietnam period, unless the benefit is for Guard or Reserve duty. **You must apply for the grant prior to commencement of retirement benefits.**

If you are a beneficiary (retiree) of the Teachers' Retirement System who retired prior to July 1, 2006, and who, prior to retirement, met the eligibility requirements for a grant of service as outlined above, then you may apply for a one-time military stipend on or before December 31, 2006. If eligible, you shall be entitled to a stipend of \$500.00 for each year served, up to a maximum of \$1,500.00. The stipend shall be pro-rated for partial years of service.

If you have questions regarding this expanded military service, or feel you might qualify for a grant or stipend, call the Retirement Division at 1-800-642-3191. **NOTE: you must apply for the one-time stipend no later than December 31, 2006.** Applications received after that date will not be accepted.

***Do You Know... What the center of gravity is?***

The letter "v".